



Signed February 19, 1999

Public Service Commission of Wisconsin

Ave M. Bie, Chairperson
Joseph P. Mettner, Commissioner
John H. Farrow, Commissioner

610 North Whitney Way
P.O. Box 7854
Madison, WI 53707-7854

To: All Utilities Subject to the Uniform System of Accounts (USOA) for Municipally Owned Water Utilities

Re: In the Matter of Prescribing an Amendment of the Uniform System of Accounts (USOA) to Allow Municipally Owned Water Utilities to Elect an Amortization Method and Establish Amortization Schedules for Equipment Costs in the General Plant Accounts

05-US-106

By order dated January 9, 1959, in Docket 02-U-5005, the Public Service Commission (Commission) adopted and prescribed a USOA for Classes A & B, Class C and Class D municipally owned water utilities.

Class A & B and Class C Municipally Owned Water Utilities

By approving an amortization method for the qualifying equipment in Accounts 391, 393, 394, 395, 397 and 398, the Definition #2 of the USOA becomes applicable. Definition #2 reads as follows:

"Amortization" means the gradual extinguishment of an amount in an account by distributing such amount over a fixed period, over the life of the asset or liability to which it applies, or over the period during which it is anticipated the benefit will be realized.

For those utilities electing the amortization method, the USOA Definition #8 will no longer be applicable for the qualifying equipment. Definition #8 reads as follows:

"Depreciation," as applied to depreciable plant, means the loss in service value not restored by current maintenance, incurred in connection with the consumption or prospective retirement of plant in the course of service from causes which are known to be in current operation and against which the utility is not protected by insurance. Among the causes to be given consideration are wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand and requirements of public authorities.

In approving an amortization method for the qualifying equipment in Accounts 391, 393, 394, 395, 397 and 398 the USOA for Classes A & B and Class C municipally owned water utilities is amended by the addition of the following:

1. To the chapter on Definitions of the USOA Prescribed for Classes A & B and Class C municipally owned water utilities append:

"Property subject to amortization" shall include equipment in Accounts 391, 393, 394, 395, 397 & 398.

2. To the chapter on Utility Plant Instructions of the USOA Prescribed for Classes A & B municipally owned water utilities append Utility Plant Instruction #16, "Amortizable Property", and to the chapter on Utility Plant Instructions of the USOA prescribed for Class C municipally owned water utilities append Utility Plant Instruction #14, "Amortizable Property". Both instruction #16 and #14 should read as follows:

Amortizable Property

- A. All references in these USOA to the maintenance of plant account records (examples: the number of record or retirement units, the location of retirement units or physical inventories) are suspended for amortizable equipment.
- B. All references in these USOA to the accounting for retirements to reflect mortality experience and percentages of salvage or cost of removal are suspended for amortizable equipment.
- C. For Classes A & B utilities all references in the USOA to the accounting for net salvage in the Account 111, Accumulated Provision for Depreciation of Utility Plant in Service, are suspended for amortizable equipment.

For Class C utilities all references in the USOA to the accounting for net salvage in the Account 110, Accumulated Provision for Depreciation and Amortization of Utility Plant, are suspended for amortizable equipment.

- D. The annual amortization expense will be increased/decreased for costs of removal and salvage in the year of occurrence.
- E. For Classes A & B utilities the qualifying equipment will be amortized by a charge to Account 403, Depreciation Expense, and a credit to Account 111, Accumulated Provision for Depreciation of Utility Plant in Service, over the fixed amortization time period.

For Class C utilities the qualifying equipment will be amortized by a charge to Account 403, Depreciation Expense, and a credit to Account 110, Accumulated Provision for Depreciation and Amortization of Utility Plant, over the fixed amortization time period.

- F. When net vintage investment equals zero (fully amortized), the vintage account balance will be retired, by charging the full cost of the vintage investment to the vintage account accumulated depreciation and crediting the full cost to the vintage investment account. Individual retirements will not be recorded.

Additional requirements for the amortization method are that:

- A. This amortization method is voluntary for all municipally owned Classes A & B, and Class C water utilities and is limited to these accounts: Accounts 391, 393, 394, 395, 397 and 398.
- B. The range of amortization periods as shown on Appendix 1 and certified as an amortization percentage range, by account and subaccount, are applicable to the municipally owned water utilities electing the amortization method.
- C. Capital versus expense decisions remain unchanged by this supplemental order.
- D. A list of the annual purchases of equipment subject to amortization shall be maintained for each plant account, by year.
- E. The implementation of an amortization method is concurrent with the signing of this order. Implementation may be applicable to the full calendar year 1999 and may also be applied to all pre-1999 vintages of general plant equipment as defined above in A.
- F. The range of account amortization periods and the corresponding account amortization percentages are certified as shown on Appendix 1 annexed hereto.
- G. The method for amortizing general equipment purchased prior to January 1, 1999, is described and illustrated in Appendix 2 annexed hereto.
- H. Utilities electing the amortization method do not need to notify the Commission, but may begin the amortization of general plant accounts as provided for in this order.

Class D Municipally Owned Water Utilities

By approving an amortization method for the qualifying equipment in Accounts 372 and 379, the Definition #2 of the USOA becomes applicable. Definition #2 reads as follows:

"Amortization" means the gradual extinguishment of an amount in an account by distributing such amount over a fixed period, over the life of the asset or liability to which it applies, or over the period during which it is anticipated the benefit will be realized.

For those utilities electing the amortization method, the USOA Definition #8 will no longer be applicable for the qualifying equipment. Definition #8 reads as follows:

"Depreciation," as applied to depreciable plant, means the loss in service value not restored by current maintenance, incurred in connection with the consumption or prospective retirement of plant in the course of service from causes which are known to be in current operation and against which the utility is not protected by insurance. Among the causes to be given consideration are wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand and requirements of public authorities.

In approving an amortization method for the qualifying equipment in Accounts 372 and 379 the USOA for Class D municipally owned water utilities is amended by the addition of the following:

1. To the chapter on Definitions of the USOA Prescribed for Class D municipally owned water utilities append:

"Property subject to amortization" shall include equipment in:
Accounts 372 and 379.

2. To the chapter on Utility Plant Instructions of the USOA prescribed for Class D municipally owned water utilities append Utility Plant Instruction #7, "Amortizable Property", which should read as follows:

Amortizable Property

- A. All references in the USOA to the maintenance of plant account records (examples: the number of record or retirement units, the location of retirement units or physical inventories) are suspended for amortizable equipment.
- B. All references in the USOA to the accounting for retirements to reflect mortality experience and percentages of salvage or cost of removal are suspended for amortizable equipment.

- C. All references in the USOA to the accounting for net salvage in the Account 110, Accumulated Provision for Depreciation and Amortization of Utility Plant, are suspended for amortizable equipment.
- D. The annual amortization expense will be increased/decreased for cost of removal and salvage in the year of occurrence.
- E. The qualifying equipment will be amortized by a charge to Account 403, Depreciation Expense, and a credit to Account 110, Accumulated Provision for Depreciation and Amortization of Utility Plant, over the fixed amortization time period.
- F. When net vintage investment equals zero (fully amortized), the vintage account balance will be retired, by charging the full cost of the vintage investment to the vintage account accumulated depreciation and crediting the full cost to the vintage investment account. Individual retirements will not be recorded.

Additional requirements for the amortization method are that:

- A. This amortization method is voluntary for all municipally owned Class D water utilities and is limited to these accounts: Accounts 372 and 379.
- B. The range of amortization periods as shown on Appendix 1 and certified as an amortization percentage range, by account, are applicable to the municipally owned water utilities electing the amortization method.
- C. Capital versus expense decisions remain unchanged by this supplemental order.
- D. A list of the annual purchases of equipment subject to amortization shall be maintained for each plant account, by year.
- E. The implementation of an amortization method is concurrent with the signing of this order. Implementation may be applicable to the full calendar year 1999 and may also be applied to all pre-1999 vintages of general plant equipment as defined above in A.
- F. The range of account amortization periods and the corresponding account amortization percentages are certified as shown on Appendix 1 annexed hereto.
- G. The method for amortizing general equipment purchased prior to January 1, 1999, is described and illustrated in Appendix 2 annexed hereto.

H. Utilities electing the amortization method do not need to notify the Commission, but may begin the amortization of general plant accounts as provided for in this order.

This is a Type III action under Wis. Admin. Code § PSC 4.10 (3). No unusual circumstances suggesting the likelihood of significant environmental consequences have come to the Commission's attention. Neither an environmental impact statement under Wis. Stat. § 1.11, nor an environmental assessment is required.

The action contained in this letter order is taken as a result of the Commission's jurisdiction under Wis. Stat. § 196.06, to prescribe and amend uniform accounting systems for those utilities subject to its jurisdiction.

The Commission maintains continuing jurisdiction over utility accounting systems and this docket shall remain open to permit subsequent supplemental orders.

Dated at Madison, Wisconsin, _____

By the Commission:

Lynda L. Dorr
Secretary to the Commission

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cc: Records Management, PSCW

See attached Notice of Appeal Rights.

Notice of Appeal Rights

Notice is hereby given that a person aggrieved by the foregoing decision has the right to file a petition for judicial review as provided in Wis. Stat. § 227.53. The petition must be filed within 30 days after the date of mailing of this decision. That date is shown on the first page. If there is no date on the first page, the date of mailing is shown immediately above the signature line. The Public Service Commission of Wisconsin must be named as respondent in the petition for judicial review.

Notice is further given that, if the foregoing decision is an order following a proceeding which is a contested case as defined in Wis. Stat. § 227.01(3), a person aggrieved by the order has the further right to file one petition for rehearing as provided in Wis. Stat. § 227.49. The petition must be filed within 20 days of the date of mailing of this decision.

If this decision is an order after rehearing, a person aggrieved who wishes to appeal must seek judicial review rather than rehearing. A second petition for rehearing is not an option.

This general notice is for the purpose of ensuring compliance with Wis. Stat. § 227.48(2), and does not constitute a conclusion or admission that any particular party or person is necessarily aggrieved or that any particular decision or order is final or judicially reviewable.

Revised 9/28/98

Appendix 1**Amortization Ranges
Municipal Water Utilities
05-US-106**

Classes A & B, Class C	Years	Percent
Account 391 , Office Furniture and Equipment	15 - 20	5.0 - 6.7%
Account 391 , Office Equipment PC, PC Related Equipment, Electronic Equipment, FAX, Photocopiers	3 - 5	20.0 - 33.3%
Account 391 , Office Equipment Mainframe Computers	3 - 6	16.7 - 33.3%
Account 393, Store Equipment	15 - 20	5.0 - 6.7%
Account 394, Tools, Shop and Garage Equipment	15 - 20	5.0 - 6.7%
Account 395, Laboratory Equipment	15 - 20	5.0 - 6.7%
Account 397, Communication Equipment	5 - 10	10.0 - 20.0%
Account 397, Communication Equipment SCADA Equipment	10 - 12	8.3 - 10.0%
Account 398, Miscellaneous Equipment	15 - 20	5.0 - 6.7%
Class D	Years	Percent
Account 372, Office Furniture and Equipment	3 - 10	10.0 - 33.3%
Account 379, Other General Equipment	10 - 20	5.0 - 10 %

Method of Amortization of General Equipment

Purchased Prior to January 1, 1999

Example

10 Years

Amortization Rate

10.00%

YEAR OF PURCHASE	AGE IN YEARS	ACTUAL COST @12/31/98	ACTUAL RESERVE @12/31/98
1980	19	600	
1981	18	500	
1982	17	400	
1983	16	800	
1984	15	1,000	
1985	14	800	
1986	13	700	
1987	12	1,800	
1988	11	1,400	
1989	10	2,000	
1990	9	3,300	
1991	8	3,400	
1992	7	4,200	
1993	6	3,100	
1994	5	2,800	
1995	4	2,700	
1996	3	3,100	
1997	2	3,600	
1998	1	3,800	
TOTALS		40,000	26,000
Amortization Rate Note 1		10.00%	
Annual Amortization on Pre-1999 Vintages Note 2		4,000	

RETIREMENT

1999 Amortization		4,000	30,000	
2000 Amortization		4,000	34,000	
2001 Amortization		4,000	38,000	
2002 Amortization Note 3		2,000	40,000	40,000
2003 Amortization		0	0	0

NOTE 1: Amortization rate from amortization ranges on Appendix 1. Example uses Account 397, Communication Equipment.

NOTE 2: Amortization rate times Pre-1999 plant balance

NOTE 3: Annual amortization stops at \$2,000 when the Pre-1999 plant balance becomes fully depreciated. The pre-1999 plant balance is then retired when the reserve equals the plant balance.